

UMJINDI LOCAL MUNICIPALITY

2011/12 MEDIUM-TERM REVENUE AND

EXPENDITURE FRAMEWORK (MTREF)

ADJUSTED BUDGET

EXECUTIVE SUMMARY

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Umjindi Budget & Treasury Section
Client: Umjindi Local Municipality

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1. PURPOSE

- 1.1 The purpose of the report is to table the adjusted 2011/2012 Medium-Term Revenue and Expenditure Framework (MTREF) before Council in terms of Section 28 of the Local Government: Municipal Finance Management Act (MFMA), 2003 Act 56 of 2003.

2. OPERATING BUDGET as adjusted

- 2.1 The following table represents the adjusted 2011/12 MTREF as informed by the 2010/11 Adjustment Budget, Integrated Development Plan and various other best practice methodologies eg. Balanced budget constraint, affordability of services to the community within the context of sustainability

DESCRIPTION	BUDGET 2011/12	% OF BUDGET
Operating Revenue by GFS Vote		
Council(Executive Mayor and councilors)	1 404 839	1
Financial Services	47 515 801	25
Corporate Services	4 700	0
Community Services	1 880 737	2
Developmental Planning & Housing	12 839 212	6
Waste Management	6 673 953	3
Waste Water Management	6 555 202	3
Roads Transport	1 902 110	1
Water	38 895 750	18
Electricity	87 937 855	41
TOTAL OPERATING REVENUE	205 682 159	

Operating Expenditure by GFS Vote		
Council(Executive Mayor and councilors)	-13 512 828	5
Financial Services	-26 200 305	10
• Asset Depreciation	-55 000 000	20
Corporate Services	-6 849 957	3
Developmental Planning & Housing	-12 094 764	4
Community Services	-15 986 801	6
Waste Management	-7 914 293	4
Waste Water Management	-3 917 552	2
Roads Transport	-10 968 907	4
Water	-31 677 104	12
Electricity	-82 147 204	30
TOTAL OPERATING EXPENDITURE	-266 047 236	
SURPLUS / (DEFICIT)	-60 365 077	

NOTE: The deficit as reflected in the budget for 2011/12 does include the amount of R 55 million for asset depreciation and impairment.

- 2.2 Departments were given the opportunity to refine their approved budget proposals in line with the budget principles and availability of revenue.
- 2.3 These sessions did not only focus on expenditure, but revenue generation potential within the context of improved service delivery, operational efficiencies and potential gains

3. EXTERNAL FUNDS (GRANTS) - DORA

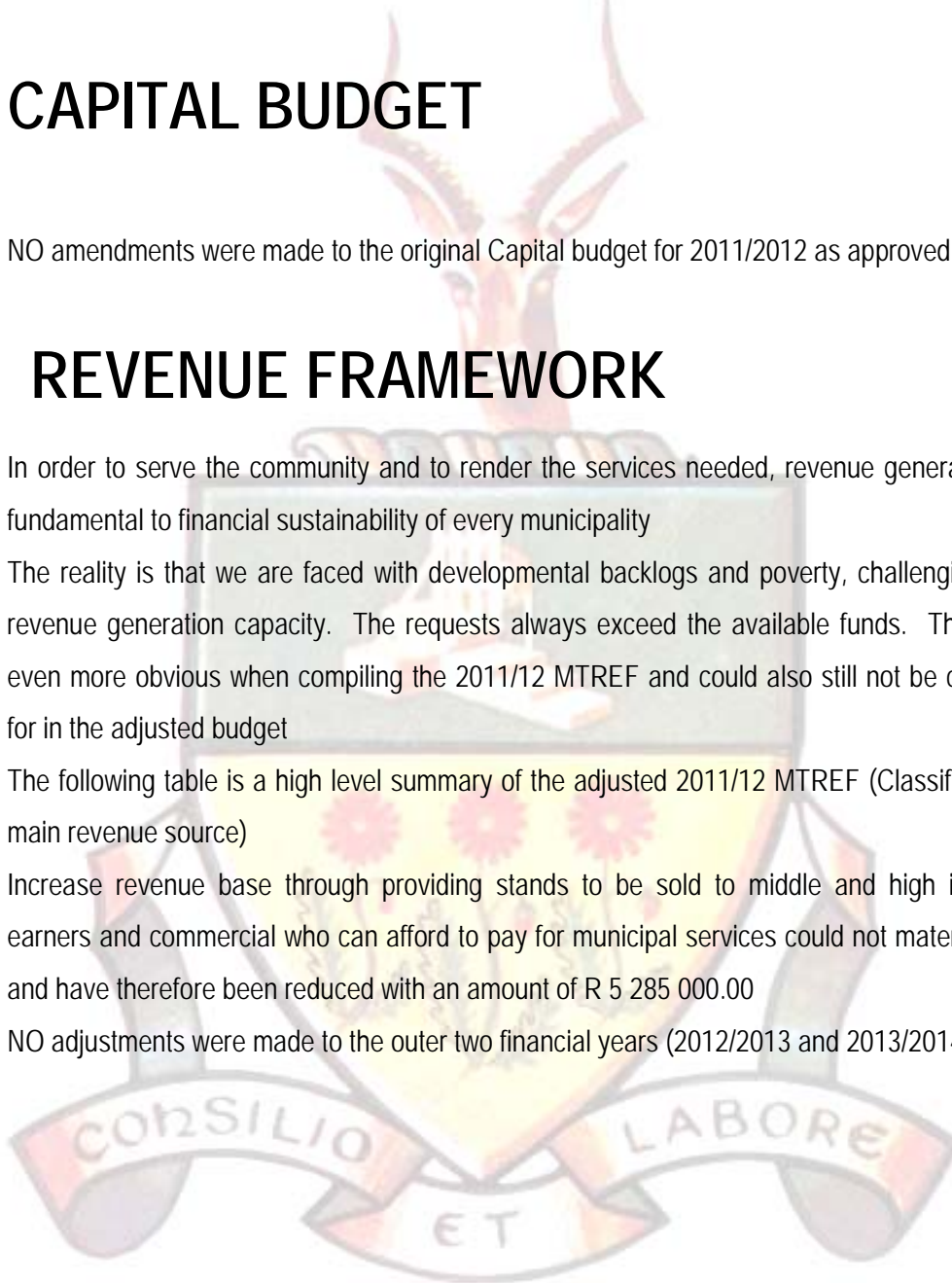
- 3.1 NO amendments were made to the original MTREF as approved

4. CAPITAL BUDGET

- 4.1 NO amendments were made to the original Capital budget for 2011/2012 as approved

5. REVENUE FRAMEWORK

- 5.1 In order to serve the community and to render the services needed, revenue generation is fundamental to financial sustainability of every municipality
- 5.2 The reality is that we are faced with developmental backlogs and poverty, challenging our revenue generation capacity. The requests always exceed the available funds. This was even more obvious when compiling the 2011/12 MTREF and could also still not be catered for in the adjusted budget
- 5.3 The following table is a high level summary of the adjusted 2011/12 MTREF (Classified per main revenue source)
- 5.4 Increase revenue base through providing stands to be sold to middle and high income earners and commercial who can afford to pay for municipal services could not materialized and have therefore been reduced with an amount of R 5 285 000.00
- 5.5 NO adjustments were made to the outer two financial years (2012/2013 and 2013/2014)



DESCRIPTION	APPROVED BUDGET 2010/11	ADJUSTME NT BUDGET 2010/11	ADJUSTED BUDGET YEAR 2011/12	% INCREASE / (DECREASE)	BUDGET YEAR 2012/13	BUDGET YEAR 2013/14
Operating Revenue by Source	R'000	R'000	R'000		R'000	R'000
Property rates	15 165 306	15 165 306	18 051 841	19	19 134 951	20 283 049
Electricity	58 202 224	58 202 224	62 830 540	8	66 600 372	70 596 395
Water	18 276 614	18 276 614	19 119 367	5	19 134 951	20 283 049
Sanitation	4 849 827	4 849 827	5 137 202	6	5 445 434	5 772 160
Refuse Removal	6 116 912	6 116 912	6 650 166	9	7 049 176	7 472 127
Grants	68 031 000	68 031 000	79 847 750	17	85 195 000	89 885 160
Interest & Inv Inc	501 100	501 100	550 000	10	583 000	617 980
Rent of facilities	438 549	438 549	632 456	44	1 392 840	1 475 662
Interest on O/S debt	1 550 000	1 550 000	2 710 000	75	2 872 600	3 044 956
Traffic fines	100 300	100 300	230 000	29	243 800	258 428
Fines	565	565	2 000	56	2 120	2 247
Licenses and permits	1 710 500	1 710 500	1 900 000	11	2 014 000	2 134 840
Other (Miscellaneous)	8 122 995	8 122 995	8 020 837		14 469 238	15 338 138
TOTAL OPERATING REVENUE	183 065 892	183 065 892	205 682 159		224 137 482	237 164 191

6. TARIFF SETTING

6.1 NO tariff adjustments were made to the original MTREF as approved.

7. EXEPENDITURE FRAMEWORK

- 7.1 No adjustments were made to the expenditure as approved but an amount of R 60 000.00 is added as payment to the SPCA who runs the pound on behalves of the municipality.
- 7.2 No adjustments to the expenditure is made regarding the amount of R 5 285 000.00 that was reduced on income and is it said that the management of the municipality must curd down on the expenditure accordingly before the financial year end at 30 June 2012.
- 7.3 NO adjustments were made to the outer two financial years (2012/2013 and 2013/2014)
- 7.4 The repair to the sewerage purification sludge dam as funded by DWAF is added to the expenditure and is funded as follows:

DEPARTMENT	PROJECT	INTERNAL FUNDS	EXTERNAL FUNDS	TOTAL
CIVIL SERVICES				
DWAF	Repair of sludge dam	915 287	1 150 000	2 065 287



7.5 The following table is a high level summary of the draft 2010/11 Medium-Term Expenditure Framework (Classified per main category of expenditure).

DESCRIPTION	APPROVED BUDGET 2010/11	ADJUSTME NT BUDGET 2010/11	BUDGET YEAR 2011/12	% INCREASE / (DECREAS E)	BUDGET YEAR 2012/13	BUDGET YEAR 2013/14
Operating Expenditure by Type	R'000	R'000	R'000		R'000	R'000
Employee related costs	54 711	54 711	59 061	8	62 604	66 361
Remuneration of Councilors	4 270	4 270	5 576	23	5 911	6 265
Electricity bulk purchases	30 350	30 350	48 820	61	51 749	54 854
Depreciation & Impairment	50 000	50 000	55 000	10	58 300	61 798
Repair and Maintenance	7 250	9 104	7 663	(75)	7 204	7 625
General expenses	55 472	59 040	89 927	54	95 005	98 660
TOTAL OPERATING EXPE	202 053	207 475	266 047	28	280 773	295 563

8. CONCLUSION

- 8.1 Although the Municipality in its entirety faces many financial and non-financial challenges, the continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all
- 8.2 The 2011/12 MTREF as adjusted contains realistic and credible revenue and expenditure proposals which should provide sound basis for improved financial management and institutional development as well as service delivery improvement and implementation.

9. RECOMMENDATION

- 9.1 That in terms of Section 28 of the Municipal Finance Management Act, (Act 56 of 2003), the approved annual budget of the municipality for the financial year 2011/12 be approved.

